

## Message Text

CONFIDENTIAL

PAGE 01 BRASIL 03349 272048Z  
ACTION ARA-06

INFO OCT-01 SS-14 ISO-00 EB-04 TRSE-00 L-01 INR-05  
CIAE-00 DODE-00 /031 W  
-----280310Z 017837 /73

R 271945Z APR 77  
FM AMEMBASSY BRASILIA  
TO SECSTATE WASHDC 1311  
INFO AMCONSUL RIO DE JANEIRO  
AMCONSUL SAO PAULO  
AMEMBASSY ASUNCION

C O N F I D E N T I A L BRASILIA 3349

LIMDIS

E.O. 11652: GDS  
TAGS: BENC; PA, BR  
SUBJ: ITAIPU PROJECT

FOLLOWING MESSAGE DRAFTED BY AMCONSUL RIO DE JANEIRO:

1. IN APRIL 20 MEETING WITH ECON/COML COUNSELOR, COSTA CAVALCANTI, BRAZILIAN PRESIDENT OF ITAIPU, REVIEWED CURRENT STATUS OF PROJECT. CAVALCANTI STATED THAT ITAIPU MANAGEMENT WAS EXAMINING THE FOUR TECHNICAL PROPOSALS RECEIVED APRIL 15 FOR THE GENERATORS AND TURBINES. FINANCIAL PROPOSALS WERE DUE IN JUNE AND A DECISION WOULD PROBABLY BE MADE IN AUGUST. ACCORDING TO CAVALCANTI, IN GE'S BID THE TURBINES ARE 70 PERCENT BRAZILIAN, THE FIRST SEVEN GENERATORS 66 PERCENT BRAZILIAN AND THE REMAINING GENERATORS 82 PERCENT BRAZILIAN. GE'S DETAILED PLANNING WOULD BE DONE IN BRAZIL WHILE THE BASIC CONCEPTS WOULD BE DEVELOPED IN CANADA. FOR WESTINGHOUSE 80 PERCENT OF THE GENERATORS AND 60 PERCENT OF THE TURBINES WOULD BE BRAZILIAN, AS WOULD BE ALL OF THE PROJECT PLANNING. CAVALCANTI WOULD NOT DISCUSS BRAZILIAN CONTENT OF THE JAPANESE AND EUROPEAN BIDS. HE ALSO DID NOT GO INTO  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRASIL 03349 272048Z

FINANCING CONDITIONS EXCEPT TO SAY THAT FINAME WOULD FINANCE ALL BRAZILIAN CONSTRUCTION.

2. IN CAVALCANTI'S OPINION, THERE WAS A GOOD POSSIBILITY OF THE CONTRACT BEING DIVIDED UP AND MORE THAN ONE OF THE COMPETING CONSORTIA RECEIVING EQUIPMENT ORDERS. DURING SOME YEARS THE ITAIPU TIMETABLE CALLS FOR THE DELIVERY OF FOUR

UNITS AND THIS PACE WOULD STRAIN THE CAPACITY OF ANY ONE MANUFACTURER. CAVALCANTI DISMISSED THE IDEA OF THE SOVIET UNION ENTERING THE COMPETITION. ONE OF THE BID CONDITIONS, HE POINTED OUT, WAS THAT THE CONSORTIUM LEADER MUST HAVE A PLANT LOCATED IN BRAZIL. THIS REQUIREMENT DISQUALIFIED THE RUSSIANS. ANOTHER NEGATIVE FACTOR WAS THE ABSENCE OF POLITICAL OR COMMERCIAL RELATIONS BETWEEN PARAGUAY AND THE USSR.

3. CAVALCANTI REPORTED THAT THE CYCLE DISPUTE WAS "AT THE POINT OF DECISION." IN HIS OPINION, PARAGUAY WOULD FINALLY OPT FOR 60 CYCLES, PERHAPS WITHIN THE NEXT 4 TO 6 WEEKS. THE ECONOMIC CONSIDERATIONS WERE OVERWHELMING. AN ADDITIONAL DOLS 100-150 MILLION WOULD HAVE TO BE SPENT IF THE PROJECT WAS DEVELOPED WITH NINE GENERATORS CAPABLE OF PRODUCING 50 OR 60 CYCLE POWER. THIS COST COMPARED TO DOS 10-15 MILLION TO CONVERT PARAGUAY'S ELECTRIC SYSTEM TO 60 CYCLES. PARAGUAYAN PRESIDENT STROESNER, DURING HIS APRIL 11 MEETING WITH PRESIDENT GEISEL HAD REQUESTED ANOTHER MONTH TO CONSIDER THE PROBLEM. CAVALCANTI NOTED THAT THE CYCLE CHOICE WAS A POLITICAL ISSUE IN PARAGUAY WITH INTELLECTUALS AND UNIVERSITY STUDENTS GRUMBLING ABOUT BRAZILIAN IMPERIALISM. IN THE END, HOWEVER, HE BELIEVED THAT ECONOMIC REALITY WOULD CARRY THE DAY. CRIMMINS

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 27-Apr-1977 12:00:00 am  
**Decaption Date:** 22 May 2009  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977BRASIL03349  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770148-0076  
**Format:** TEL  
**From:** BRASILIA  
**Handling Restrictions:**  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770416/aaaaanba.tel  
**Line Count:** 87  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** f05ec19c-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** LIMDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** LIMDIS  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 02-Dec-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2684512  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ITAIPU PROJECT FOLLOWING MESSAGE DRAFTED BY AMCONSUL RIO DE JANEIRO  
**TAGS:** BENC, PA, BR  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odhc://SAS/SAS.dbo.SAS\_Docs/f05ec19c-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009